

17 October 80

## MOSCOW AND THE IRAN-IRAQ CONFLICT [REDACTED] 25X1

THE SOVIETS CONTINUE TO VIEW THE IRAN-IRAQ WAR AS A PROBLEM THAT COMPLICATES THEIR EFFORTS TO PROMOTE THEIR INTERESTS WITH BOTH NATIONS. THEY ARE ALSO CONCERNED THAT PROLONGED FIGHTING WILL PROVIDE THE UNITED STATES WITH OPPORTUNITIES TO FRUSTRATE THEIR EFFORTS TO FURTHER MOSCOW'S INFLUENCE IN THE GULF REGION. [REDACTED] 25X1

IN ORDER TO COME OUT OF WAR WITH THEIR EXISTING RELATIONS INTACT--AND, THEY HOPE, WITH THEIR OVERALL INFLUENCE ENHANCED--THE SOVIETS ARE SEEKING THE RIGHT MIX OF TACTICS TO PURSUE. SO FAR, THEY HAVE SHOWN NO INCLINATION TO PLAY AN ACTIVE ROLE IN MEDIATING OR PRESSURING EITHER SIDE, CALCULATING THAT SUCH ACTION WOULD COMPROMISE THEM IN THE EYES OF EITHER BAGHDAD OR TEHRAN. BUT THEY ARE MAKING GESTURES TO BOTH SIDES AND ARE ADJUSTING THEIR TACTICS TO THE MILITARY SITUATION AS IT DEVELOPS. THEY ARE HOPING FOR AN EARLY CEASE-FIRE, WHICH WOULD EASE THEIR PROBLEMS AND MAKE IT LESS COSTLY TO RESUME SHIPMENTS OF MILITARY SUPPLIES TO IRAQ AND IMPROVE POLITICAL AND ECONOMIC TIES WITH IRAN. [REDACTED] 25X1

## SOVIET CONCERNS.

THE SOVIETS RECOGNIZE THAT A LENGTHY CONFLICT BETWEEN IRAN AND IRAQ WOULD MAKE THEIR EFFORTS TO TREAT THE DISPUTE IN A BALANCED FASHION INCREASINGLY DIFFICULT AND FORCE THEM TO LEAN TOWARD ONE SIDE--PRESUMABLY IRAQ, WHERE THEIR EXISTING TIES ARE GREATER. THEY MAY ALSO STILL BE CONCERNED OVER HOW THE UNITED STATES WOULD REACT TO PROTRACTED HOSTILITIES THAT DISRUPTED THE FLOW OF OIL THROUGH THE PERSIAN GULF. THIS COULD LEAD TO A US-SPONSORED NAVAL PATROL TO KEEP THE GULF OPEN AND PRESENT THE USSR WITH A WESTERN SECURITY ROLE IN THE GULF, WHICH MOSCOW HAS LONG OPPOSED. [REDACTED] 25X1  
[REDACTED] 25X1

THE USSR IS CONCERNED THAT THE CONFLICT IS PROVIDING IMPETUS TO US MOVES TO IMPROVE THE MILITARY CAPABILITIES OF THE UNITED STATES IN THE REGION. MOSCOW PROMPTLY CONDEMNED WASHINGTON'S DISPATCH OF AWACS AIRCRAFT TO SAUDI ARABIA AND WOULD NEGATIVELY VIEW INDICATIONS THAT OTHER GULF OIL STATES, CONCERNED ABOUT SECURITY IN THE REGION, ARE SEEKING WESTERN PROTECTION. [REDACTED] 25X1  
[REDACTED] 25X1

ONE INITIATIVE THE SOVIETS MIGHT UNDERTAKE TO DEFLECT WEST EUROPEAN BACKING FOR INCREASED US INVOLVEMENT IN THE REGION, WHILE PROMOTING THEIR OWN, IS TO REVIVE THEIR PROPOSAL FOR MULTILATERAL DISCUSSIONS AIMED AT GUARANTEEING THE SECURITY OF OIL ROUTES IN THE GULF. MOSCOW MIGHT HOPE THE WAR WILL STIMULATE INTEREST IN THE PLAN BY KEY WEST EUROPEAN STATES. [REDACTED]

25X1

#### OTHER SOVIET ACTIONS.

IN LINE WITH THEIR INTERESTS, THE SOVIETS CONTINUE TO CALL FOR AN END TO HOSTILITIES. LAST WEEK, PRESIDENT BREZHNEV PERSONALLY ASKED FOR AN END TO THE FIGHTING AND URGED THE TWO SIDES TO NEGOTIATE. THE SOVIETS HAVE SUPPORTED UN SECURITY COUNCIL RESOLUTIONS CALLING FOR A CESSATION OF THE FIGHTING AND HAVE ENDORSED CUBAN AND PLO MEDIATION EFFORTS. [REDACTED]

25X1

ALTHOUGH SOVIET OFFICIALS HAVE INDICATED MOSCOW IS KEEPING THE DOOR OPEN TO MAKING A MEDIATORY OFFER AT AN OPPORTUNE TIME, MOSCOW HAS NOT YET TAKEN SUCH AN INITIATIVE, PROBABLY BECAUSE IT BELIEVES THIS WOULD RAISE SUSPICIONS IN IRAN AND IRAQ AND BRING AN EMBARRASSING REJECTION. FURTHERMORE, A MEDIATION EFFORT COULD DAMAGE TIES WITH BAGHDAD, SINCE MOSCOW WOULD COME UNDER PRESSURE FROM TEHRAN TO USE ITS ARMS RELATIONSHIP AS LEVERAGE ON BAGHDAD. [REDACTED]

25X1

THE SOVIETS HAVE DEFLECTED PETITIONS FROM BOTH IRAN AND IRAQ ON THE ARMS SUPPLY QUESTION. ALTHOUGH THEY HAVE MANAGED THUS FAR TO AVOID SERIOUSLY ANTAGONIZING EITHER, THEY HAVE IRRITATED BOTH. THEY HAVE REJECTED IRANIAN DEMARCHES THAT THEY STOP ALL ARMS SHIPMENTS TO IRAQ, WHILE TRYING TO LEAVE TEHRAN WITH THE IMPRESSION OF SOVIET UNWILLINGNESS TO RESUPPLY BAGHDAD DURING THE CONFLICT.

25X1

25X1

AS THE WAR DRAGS ON, THE SOVIETS WILL PROBABLY COME UNDER INCREASING PRESSURE FOR RESUPPLY FROM BAGHDAD. THEY MAY RESPOND BY RESUMING REGULAR ARMS SHIPMENTS--DELIVERIES THEY HAVE PROMISED THEY WILL CONTINUE--POSSIBLY SENDING THEM VIA THIRD PARTIES SUCH AS THE EAST EUROPEANS OR DELIVERING THEM TO JORDAN FOR TRANSSHIPMENT. [REDACTED]

25X1

SOVIET SIGNALS TO BAGHDAD.

25X1

IN MAKING A SLIGHT TILT, MOSCOW PROBABLY REASONS THAT, DESPITE IRAQ'S STUBBORN INDEPENDENCE FROM SOVIET INFLUENCE, BAGHDAD IS LIKELY TO BECOME AN EVEN MORE ASSERTIVE ARAB LEADER AND THAT ITS ANTI-US AND ANTI-ISRAELI POLICIES WORK TO MOSCOW'S ADVANTAGE. IN ADDITION, THE USSR HAS NO DESIRE TO RISK ABROGATION OF ITS FRIENDSHIP TREATY WITH IRAQ, LOSE MORE IRAQI ARMS PURCHASES TO THE WEST, OR COMPROMISE EAST EUROPEAN AND SOVIET ABILITY TO PURCHASE IRAQI OIL. [REDACTED]

25X1

NEVERTHELESS, THE SOVIETS PROBABLY BELIEVE A LARGE-SCALE IRAQI "VICTORY" WOULD POSE LONG-TERM PROBLEMS FOR THEM AND WOULD BE HAPPIER WITH MORE LIMITED IRAQI GAINS OR A STALEMATE. IRAQI OCCUPATION OF A LARGE PORTION OF THE KHUZESTAN REGION OF IRAN WOULD DO LITTLE TO FACILITATE SOVIET ACCESS TO OIL SUPPLIES; MOSCOW WOULD PROBABLY RATHER HAVE THE OPTION OF MANEUVERING BETWEEN TWO ANTAGONISTIC SUPPLIERS. IRAQI PREEMINENCE IN THE PERSIAN GULF MIGHT WELL HINDER THE USSR'S OWN EFFORTS TO EXPAND ITS INFLUENCE THERE AND MIGHT CREATE NEW IMPETUS FOR GULF STATES, FEARFUL OF A STRONG IRAQ, TO LOOK MORE TO THE WEST FOR ASSISTANCE. [REDACTED]

25X1

PROTECTING SOVIET INTERESTS IN IRAN.

SOVIET UNCERTAINTY ABOUT DEVELOPMENTS IN IRAN AND EFFORTS TO INFLUENCE THEM WILL PROBABLY INCREASE NO MATTER WHAT THE PRECISE OUTCOME OF THE WAR. THE SOVIETS HAVE UNDOUBTEDLY TAKEN SOME SATISFACTION FROM THE FACT THAT THE WAR HAS NOT LED TEHRAN TO MODERATE ITS HOSTILITY TOWARD THE UNITED STATES AND THAT, SO FAR, KHOMEINI'S RULE HAS NOT BEEN CHALLENGED FROM THE RIGHT. [REDACTED]

25X1

25X1

[REDACTED]

THE USSR HAS STILL NOT FORECLOSED THE POSSIBILITY OF GAINS WITH IRAN. IT IS LIKELY TO MAKE ADDITIONAL OFFERS OF ECONOMIC TIES AND MILITARY AID TO ADVANCE ITS INFLUENCE AND COUNTER THE EFFECT OF THE TILT TOWARD IRAQ. [REDACTED]

NEVERTHELESS, THE SOVIETS ARE PROBABLY CONCERNED THAT OVER THE LONGER RUN THE EFFECT OF THE WAR-- PARTICULARLY ANY IRAQI EFFORT TO DEPRIVE TEHRAN OF OIL AND ITS REVENUES--COULD LEAD TO THE REPLACEMENT OF KHOMEINI'S REGIME BY AN IRAQI-INFLUENCED OR A PRO-WESTERN FACTION. IN ORDER TO BE IN A POSITION TO COUNTER SUCH A DEVELOPMENT, THE USSR WILL CONTINUE TO SUPPORT THE TUDEH PARTY IN ORDER TO STRENGTHEN ITS POSITION AND WILL MAINTAIN ITS CONTACTS WITH IRANIAN ETHNIC GROUPS. THE SOVIETS WILL ALSO CONTINUE MILITARY CONTINGENCY PREPARATIONS AIMED AT POSSIBLE EXPLOITATION OF UPHEAVAL WITHIN IRAN, AS WELL AS AT DETERRING THE UNITED STATES FROM MILITARY INTERVENTION. [REDACTED]

EASTERN EUROPE REACTS TO THE IRAN-IRAQ CONFLICT [REDACTED]

SUMMARY.

THE EAST EUROPEAN REGIMES [REDACTED]

[REDACTED]

[REDACTED] ARE  
REACTING CAUTIOUSLY TO THE WAR BETWEEN IRAN AND IRAQ IN ORDER TO AVOID OFFENDING EITHER SIDE. [REDACTED]

[REDACTED]

[REDACTED] PRESUMABLY,  
ALL WOULD LIKE TO SEE A QUICK END TO THE HOSTILITIES. MOST RECEIVE VARYING QUANTITIES OF OIL FROM THE COMBATANTS, BUT ONLY YUGOSLAVIA AND ROMANIA OBTAIN A MAJOR PORTION OF THEIR SUPPLIES FROM THEM. [REDACTED]

BULGARIA.

PUBLICLY, SOFIA HAS REFRAINED FROM TAKING SIDES IN THE CONFLICT. PRESS COMMENTARY CALLS FOR A PEACEFUL SETTLEMENT AND ACCUSES THE UNITED STATES AND CERTAIN NATO COUNTRIES OF EXPLOITING THE TURMOIL TO FURTHER THEIR "IMPERIALIST" OBJECTIVES. BULGARIA WOULD PREFER TO MAINTAIN GOOD RELATIONS WITH BOTH NATIONS. [REDACTED]

[REDACTED]

25X1

LAST DECEMBER BAGHDAD SEVERED TIES WITH BULGARIA AFTER CLASHES BETWEEN IRAQI BAATHIST AND IRAQI COMMUNIST STUDENTS STUDYING IN SOFIA. THE HIGH-LEVEL ATTENTION BULGARIAN OFFICIALS GAVE TO SUCCESSFULLY RESTORING RELATIONS, CULMINATING IN ZHIVKOV'S VISIT TO BAGHDAD IN MAY, EVIDENCES THE IMPORTANCE SOFIA PLACES ON IRAQ AS A POTENTIAL LARGE SUPPLIER OF OIL AND REVENUE OBTAINED FROM BULGARIAN PROJECTS IN IRAQ.

25X1

25X1

ROMANIA.

IRAN AND IRAQ SUPPLY A SIGNIFICANT SHARE OF ROMANIA'S CRUDE OIL NEEDS--ABOUT ONE-THIRD OF ITS TOTAL PETROLEUM IMPORTS--AND BUCHAREST IS UNDERSTANDABLY ANXIOUS TO MAINTAIN GOOD RELATIONS WITH BOTH COUNTRIES. ACCORDINGLY, ROMANIA HAS TRIED IN ITS PUBLIC APPROACH TO THE CONFLICT TO AVOID OFFENDING EITHER PARTY. IT HAS REFRAINED FROM ANY PUBLIC COMMENTARY ON THE WAR, AND THE ROMANIAN PRESS HAS GIVEN EVENHANDED COVERAGE TO EACH SIDE'S REPORTS ON THE FIGHTING.

25X1

25X1

BUCHAREST DOUBTLESS IS HOPING FOR A QUICK END TO THE HOSTILITIES, AS A PROLONGED CUTOFF OF OIL DELIVERIES WOULD HAVE SERIOUS ECONOMIC CONSEQUENCES FOR ROMANIA.

25X1

AT THE SAME TIME, HOWEVER, THEY ARE TAKING ADVANTAGE OF THE SITUATION TO INCREASE SALES OF MANUFACTURED GOODS TO BOTH PROTAGONISTS.

25X1

25X1

25X1

#### YUGOSLAVIA.

THE CONFLICT BETWEEN IRAN AND IRAQ, TWO MEMBERS OF THE NONALIGNED MOVEMENT (NAM), HAS CAUSED GREAT CONCERN AMONG THE YUGOSLAV LEADERSHIP BECAUSE OF ITS POTENTIAL EFFECT ON THE NAM'S COHESION AND THE POSSIBLE IMPACT OF A PROLONGED CUTOFF OF OIL SUPPLIES. THE YUGOSLAVS HAVE TAKEN PAINS TO AVOID APPEARING TO SIDE WITH EITHER PARTY AND, DESPITE EXTENSIVE ECONOMIC TIES WITH BAGHDAD AND SIMILAR POSITIONS WITHIN THE NAM, BELGRADE IS LIKELY TO CONTINUE THIS EVENHANDED POLICY. IT PROBABLY WILL OFFER ITS ASSISTANCE IN TRYING TO REACH A PEACEFUL SOLUTION.

25X1

25X1

THE YUGOSLAV LEADERSHIP HAS BEEN RESTRAINED IN ITS PUBLIC COMMENTS, EMPHASIZING ITS HOPE THAT THE TWO NATIONS WILL SOLVE THEIR DIFFERENCES ACCORDING TO NONALIGNED PRINCIPLES. IN A TOAST AT A DINNER IN HONOR OF VISITING UK PRIME MINISTER THATCHER ON 24 SEPTEMBER, FEDERAL EXECUTIVE COUNCIL PRESIDENT DJURANOVIC EXPRESSED HOPE THAT THE TWO COUNTRIES WILL LOOK FOR PEACEFUL SOLUTIONS AND END THE CONFLICT. IN A SPEECH TO THE UNITED NATIONS THE SAME DAY, FOREIGN MINISTER VRHOVEC EXPRESSED REGRET OVER THE WAR AND CALLED UPON IRAN AND IRAQ TO SETTLE THEIR DIFFERENCES ON THE BASIS OF THE UN CHARTER AND NONALIGNMENT PRINCIPLES.

THE SITUATION WITH REGARD TO THE NAM IS ALSO COMPLICATED BECAUSE IRAQ ASSUMES THE CHAIRMANSHIP OF THE NAM IN 1982. THE YUGOSLAVS NO DOUBT FEEL THAT BY RESORTING TO ARMED INTERVENTION IRAQ HAS VIOLATED A FUNDAMENTAL NONALIGNED PRINCIPLE AND HAS THUS REDUCED THE NAM'S EFFECTIVENESS IN ITS CAMPAIGN AGAINST POLITICAL INTERVENTION AND USE OF MILITARY FORCE, ESPECIALLY BY THE MAJOR POWERS.

THE YUGOSLAV LEADERSHIP HAS MAINTAINED DIPLOMATIC CONTACTS WITH BOTH SIDES SINCE THE CONFLICT BEGAN AND HAS EXPRESSED A WILLINGNESS TO MEDIATE, EITHER IN A NAM FRAMEWORK OR THROUGH ITS OWN OFFICES. TEHRAN SENT ITS CHARGE D'AFFAIRES IN BONN TO BELGRADE ON 2 OCTOBER WITH A MESSAGE CONCERNING THE CONFLICT FOR PRIME MINISTER DJURANOVIC. THE IRANIANS, NO DOUBT, WANTED TO EXPLAIN THEIR POSITION AND SOUGHT YUGOSLAV SUPPORT. THE IMPORTANCE THE IRANIANS PLACE ON THE MESSAGE IS EVIDENCED BY ITS DELIVERY BY THE SPECIAL ENVOY.

THE SAME DAY THAT THE IRANIAN ENVOY ARRIVED IN BELGRADE, YUGOSLAV VICE PREMIER DRAGAN DEPARTED ON A SCHEDULED VISIT TO BAGHDAD FOR ECONOMIC TALKS.

REACTIONS ARE MIXED IN BELGRADE AS TO THE POTENTIAL EFFECT THE SUSPENSION OF OIL SHIPMENTS FROM THE GULF REGION WILL HAVE ON YUGOSLAVIA'S ENERGY SITUATION. BELGRADE REPORTEDLY AGREED TO PURCHASE 6 MILLION TONS OF IRAQI OIL IN 1980, AND THIS AMOUNT COULD ACCOUNT FOR MORE THAN HALF OF THE 1980 PROJECTED OIL IMPORTS, DEPENDING ON FINAL IMPORT LEVELS.

25X1

**CZECHOSLOVAKIA.**

PRAGUE HAS REITERATED THE SOVIET LINE ON THE CONFLICT, MAINTAINING A NEUTRAL PUBLIC POSITION AND CONCLUDING THAT ONLY THE "IMPERIALISTS" BENEFIT FROM THE WAR. EDITORIAL COMMENTARIES HAVE CAREFULLY BALANCED CRITICISM OF THE COMBATANTS: IRAN FOR ALARMING ITS NEIGHBORS BY TRYING TO "EXPORT" ITS REVOLUTION, AND IRAQ, FOR MANIFESTING AMBITIONS TO REPLACE IRAN--AS WHEN RULED BY THE SHAH--AS LEADER OF THE PERSIAN GULF AREA. IN ITS USUAL STRIDENT MANNER, THE MEDIA HAVE ALLEGED THAT THE UNITED STATES IS EXPLOITING THE CONFLICT TO FURTHER ITS GLOBAL INTERESTS. CZECHOSLOVAKIA WOULD NOT SUFFER SIGNIFICANTLY FROM THE DISRUPTION OF IRANIAN OR IRAQI OIL DELIVERIES. [REDACTED]

25X1

WHILE CZECHOSLOVAKIA CURRENTLY IMPORTS ONLY MARGINAL AMOUNTS OF OIL FROM IRAQ AND IRAN, IT PROBABLY PLANS TO OBTAIN MORE OPEC OIL BECAUSE OF THE FREEZE OF SOVIET OIL DELIVERIES AT THE 1980 LEVEL. THE CZECHOSLOVAKS HAVE NOT RELEASED STATISTICS ON THEIR OIL PURCHASES, BUT WE ASSUME THAT DEMAND WILL EXCEED THE SMALL AMOUNT OF DOMESTIC PRODUCTION AND PLANNED SOVIET DELIVERIES OVER THE NEXT FIVE YEARS, AND THAT PRAGUE WILL NEED TO IMPORT OIL FROM OTHER SOURCES. MOST WILL PROBABLY COME FROM IRAQ, WHICH HAS PROMISED INCREASED DELIVERIES IN 1981. THE CZECHOSLOVAKS HAVE REPORTEDLY EXPANDED CONTACTS WITH OTHER OIL SUPPLIERS, AND RECENTLY CONCLUDED NEGOTIATIONS ON A SYRIAN REFINERY PROJECT THAT COULD PROVIDE THE CZECHOSLOVAKS WITH ABOUT 10,000 BARRELS OF CRUDE OIL A DAY, ENOUGH TO COMPENSATE FOR THE DEFICIT CAUSED BY THE CONFLICT BETWEEN IRAN AND IRAQ. [REDACTED]

25X1

THE CZECHOSLOVAKS AND IRANIANS HAD PLANNED TO SIGN A LONG-TERM ECONOMIC COOPERATION AGREEMENT BEFORE THE END OF 1980. IN THE PAST, PRAGUE HAS PROVIDED IRAN WITH SMALL ARMS AND AMMUNITION IN ADDITION TO INDUSTRIAL TECHNOLOGY AND TECHNICAL ADVISERS. PRAGUE IS ALSO MAINTAINING TRADE RELATIONS WITH IRAQ, SIGNING A COOPERATION AGREEMENT ON PRICING LAST MONTH, DURING THE FIRST DAYS OF THE WAR. [REDACTED]

25X1

25X1

25X1



HUNGARY.

ALTHOUGH HUNGARIAN LEADERS HAVE VOICED CONCERN OVER THE ARMED CONFLICT BETWEEN IRAN AND IRAQ, A CUTOFF IN THE SUPPLY OF OIL WOULD NOT HAVE A MAJOR EFFECT ON HUNGARY. IN A RECENT SPEECH TO THE NATIONAL ASSEMBLY, PARTY LEADER KADAR CAREFULLY AVOIDED TAKING SIDES, AND SAID THAT THE WAR--WHICH HE TERMED "DANGEROUS"--SERVES ONLY THE INTERESTS OF "INTERNATIONAL IMPERIALISM." HE URGED THE MATTER BE RESOLVED THROUGH BILATERAL TALKS BETWEEN BAGHDAD AND TEHRAN AND USING THE OFFICES OF THE UNITED NATIONS. TO DATE, THE MEDIA HAVE REFRAINED FROM ANY EDITORIAL COMMENTARY.

25X1

NON-SOVIET OIL CONSTITUTED ABOUT 12 PERCENT OF HUNGARY'S TOTAL PETROLEUM IMPORTS IN 1979--DOWN FROM 15 PERCENT IN 1978--AND MOST OF THIS CAME FROM IRAQ.

NO OIL WAS IMPORTED FROM SOURCES OTHER THAN THE USSR IN THE FIRST HALF OF 1980. THE HUNGARIANS REPORTEDLY HAVE STOCKPILED AMPLE OIL RESERVES SUFFICIENT TO CUSHION THE HALT OF SUCH IMPORTS FROM IRAQ AND IRAN. WHILE IT IS UNLIKELY THAT BUDAPEST HAS SUCCEEDED IN COMPLETELY CURTAILING NONSOVIET OIL IMPORTS, IT HAS ATTEMPTED TO DECREASE DRASTICALLY DEPENDENCE ON SUCH IMPORTS. TO IMPROVE ITS BALANCE OF HARD CURRENCY PAYMENTS, HUNGARY HAS IMPLEMENTED AN INDUSTRIAL AUSTERITY CAMPAIGN, WHICH HAS APPARENTLY BEEN SUCCESSFUL IN LESSENING DOMESTIC DEMAND FOR OIL. HUNGARY IS ALSO CONCERNED OVER ITS OBLIGATION TO ASSIST OTHER CEMA MEMBERS SHOULD THEY BE FACED WITH AN ACUTE OIL SHORTAGE.

25X1

IRAQ IS HUNGARY'S LEADING TRADING PARTNER AMONG THE DEVELOPING NATIONS. DURING BILATERAL ECONOMIC TALKS HELD IN BUDAPEST THIS AUGUST, AN AGREEMENT WAS SIGNED THAT PROVIDES FOR FURTHER HUNGARIAN EXPORTS OF MILITARY EQUIPMENT.

25X1

25X1

25X1

HUNGARIAN RELATIONS WITH IRAN HAVE RECENTLY SOURED, PRIMARILY AS A RESULT OF THE FAILURE TO RESOLVE PROBLEMS STEMMING FROM THE EXPIRATION LAST JUNE OF A BILATERAL PAYMENT AGREEMENT.

25X1

25X1

25X1

25X1

EAST GERMANY.

EAST BERLIN HAS AVOIDED TAKING SIDES PUBLICLY WITH REGARD TO THE IRAN-IRAQ CONFLICT. THE LIMITED MEDIA COVERAGE STRESSES INSTEAD THAT THE WAR PLAYS INTO THE HANDS OF THE "REACTIONARY IMPERIALIST FORCES" WHO WANT TO DESTABILIZE THE REGION. PARTY LEADERS FEAR THAT CRITICISM OF EITHER SIDE WOULD PROVOKE UNWELCOME DIPLOMATIC REPERCUSSIONS.

25X1  
25X1

EAST GERMANY IS CULTIVATING SEVERAL OIL-PRODUCING COUNTRIES--INCLUDING IRAQ AND IRAN--TO FIND SUPPLIES TO SUPPLEMENT DELIVERIES FROM THE USSR.

25X1  
25X1

EAST GERMAN OFFICIALS APPEAR NOT TO BE SERIOUSLY WORRIED ABOUT THE LOSS OF OIL FROM THE TWO COUNTRIES, PROBABLY BECAUSE EAST GERMAN STOCKS ARE RELATIVELY HIGH. ASSUMING A SHORT WAR AND A RAPID RETURN TO PRODUCTION IN IRAQ AND IRAN, EAST GERMANY SHOULD NOT BE HURT BY A CUTOFF. A LONGER PERIOD, HOWEVER, WOULD FORCE THE HARD-CURRENCY-SHORT EAST GERMANY TO SEEK A LONGTERM CONTRACT ELSEWHERE OR GO INTO THE SPOT MARKET TO MAKE UP THE LOSS.

25X1

25X1

25X1